Comments by AFBF President Bob Stallman
To the USDA Outlook Forum
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Good morning.

It is truly a pleasure to be here with you all today. It is an honor to be here representing Farm Bureau, the largest general farm organization in the country, a united voice for the "whole" of American agriculture.

With that honor, comes a huge challenge. Since we represent all of agriculture, instead of a single commodity, it is always a big task to ensure these voices are heard and that all producers -- from fruit and vegetable growers to elk ranchers -- get a "fair shake" as we embark on establishing a new farm bill.

However, our members across the board have made that task easier than I ever anticipated. Time and time again when asked what "they want" in a new farm bill our members have not wavered.

They told us resoundingly at our annual convention this past January that they want to maintain the basic structure of the 2002 Farm Bill, with minor changes.

- **Farm Bureau members have spoken out clearly about their preference for commodity programs that use loans, fixed-decoupled payments and countercyclical payments to support American agriculture.**

They are justified in their reasoning. Plain and simple... THE CURRENT FARM BILL IS WORKING and WORKING WELL, not only for farmers and ranchers, but just as importantly, it is working for the environment and consumers.

The support of Farm Bureau's vast and varied membership is totally justified. All one has to do is examine the track record of success from the current farm program.

- **Exports are as high as they have ever been.**
  - **U.S. farm exports rose to $68.7 billion in 2006.**
- **Government outlays are lower.**
  - **CCC Outlays have decreased from a record-high of $32.3 billion in 2000 to around $20 billion in 2006, and trending toward $11.7 billion in 2008 under the current law.**

- **Farmers' debt-to-asset ratio is the lowest on record.**
  - **Around 11 percent in 2006.**

Farm Bureau members -- cognizant of the fact that their organization represents the whole of American agriculture -- have spoken.

Quite frankly, they think the structure of the current program represents the largest measure of fairness they are likely to receive in any farm program.

The structure of the 2002 farm bill provided the kind of support our farm and ranch families still need to preserve their way of life, while providing a safe and secure food supply for our nation.

American agriculture needs a solid farm program such as the one in existence for several reasons.

For example:

- **It will help our trade negotiators bargain from a position of strength in world trade talks.**

- **We have no “position of strength” from the standpoint of import tariffs. We give other countries the ability to land product in the United States.**

- **The average tariff on agricultural products coming into the U.S. is only 12 percent.**

- **We face an average tariff of 62 percent.**

- **Our only negotiating lever at this point is our domestic support program. Why should we unilaterally take cuts, when other countries are not willing to open their own market?**

- **We also need a solid farm program with robust safety net provisions and capital support in recognition of the fact that major investment will be required as our nation asks agriculture to be a supplier of reliable, renewable energy.**

Farm Bureau will continue to work with Congress to ensure the farm bill adequately equips America’s farmers and ranchers for the next multi-year period as they feed, fuel and clothe the country and abroad.

There are some key hurdles we must cross to get a good farm bill.

- **Tight Federal Budget – But must view this in reality…Ag spending is not the cause of our current budget challenges…in fact if other aspects of federal spending followed our pattern, there would not be a problem.**

- **We need to continue to answer the question in regard to why agriculture deserves public investment.**

- **Competing goals – farm payments, conservation, hunger programs, rural development, etc.**

Given the downward direction of the spending baseline for agriculture, I must emphasize that we are working with members of Congress to secure more budget authority for agriculture.

- **Last month, the CBO projected that the baseline for the new farm bill will be around $60 billion less over the next 10 years for commodity programs than was projected for the 2002 farm bill.**

- **CCC outlays under the current law baseline are estimated to run an average $12.4 billion annually from 2008 to 2017.**

- **The current budget baseline would, according to House Ag Chairman Peterson, provide 42.8 percent less for the commodity title in the 2007 farm bill than was provided for the 2002 farm bill.**

- **Farm Bureau signed on with a broad coalition of 100 different farm, hunger and conservation groups to call on the Senate and House Budget Committees to increase funding OVERALL for the farm bill.**

- **The key message of that letter, was, as you would expect, fairly broad, but one that needed to be communicated.**

- **Given the magnitude of cuts agricultural programs have already sustained over the last several years, and the substantial savings as a result of farm bill programs, the coalition asks Congress to adopt mandatory and discretionary spending levels that provide for additional funding and resist efforts to force further budget reductions on agricultural, food assistance, conservation and other critical programs.**

We need additional budget authority to secure a long-term, long-reaching farm program.

- **Ethanol is currently fueling optimism as well as higher net farm incomes. USDA estimates that in 2007, net farm income will be around $66.6 billion. That is up 6 billion from 2006 and $9 billion above the average over the last 10 years.**

- **It is expected that corn, wheat and soybean prices will run above 2006 levels this year.**

- **During this time, government payments are expected to total about $12.4 billion in 2007, which will be down from the $16.3 billion paid out in 2006.**

While the impact that ethanol has brought to our farm economy is evident, we have to be prepared for a time in the not too distant future, when corn may not be the primary feedstock for ethanol production.

We need a long-term vision for this farm bill -- a vision that fully considers the need for a safety net when the expected blip in the corn-derived renewable fuels picture becomes reality.

We are told that commercial-scale cellulosic ethanol production is only about 5 years away – or maybe less. When that technology comes on line, once again – it is pretty likely that – we will be faced with an ample supply of corn.

The agricultural budget and the programs that provide a reliable safety net for America's farmers must fully consider the growing challenges and needs of America's farmers and ranchers and an American agriculture that is being asked to even more for our nation.

There will be storms of uncertainty, but we know the current farm bill has helped our farmers weather many economic uncertainties.

It also has provided important initiatives that help farmers and ranchers care for the environment while producing food, fiber and renewable fuel for all Americans.

We will work with our allies in Congress to hammer out the best possible budget profile and the best possible safety net provisions for our farmers.

- **Will we have everything we want? No.**
- **Will we have everything we need? No.**
- **But we know -- no farm program is perfect.**

In fact the need to make several changes was discussed among our delegate body. One point they did agree on was that the current program does not need a complete OVERHAUL.

I would note here that there were some provisions of the USDA proposal for farm legislation that sounded very promising.

- **The administration's proposal is broad and addresses a number of priorities issues for Farm Bureau, such as…**
    - **Conservation.**
    - **Renewable energy.**
    - **Beginning farmer programs.**

But on the other side, there are funding questions and some troublesome issues -- such as means testing and payment limits -- that we will try to iron out in Congress.

- **On the topic of means testing, the $200,000 Adjusted Gross Income threshold that has been proposed is troublesome. This is a major change in policy that may well impact many more operations than the 72,000 farmers USDA suggests. (Impact disproportionate -- $199,000 versus $200,000 AGI.) Whatever the final number of farmers may be – 72,000, 100,000, even 150,000 – many of these farmers contribute the most to the level of food security enjoyed by our nation.**

- **The Agriculture and Food Policy Center at Texas A&M found that the $200,000 AGI test would even affect a 1,300-acre Iowa corn farm once or twice over seven years.**

    - **Further, over the life of a seven-year bill, there would be decreases in real net worth for almost all the representative feed grain, wheat and cotton farms. In the case of one Texas cotton farm, the decline in real net worth was more than 15 percent.**

- **USDA data shows that in 2004, only about 4.5 percent of all farm program payments (including CRP) went to those 3.6 percent of payment recipients who had AGI of more than $200,000. That clearly proves that larger farms that happen to have higher adjusted gross incomes are far from collecting all the farm program payments that are distributed.**

- **While Farm Bureau will continue to strenuously oppose the concept of a means test for farm program eligibility, we also must point out that going from the current level of $2.5 million, with a 75 percent ag income exclusion,**

to a level of $200,000 -- with the stroke of a pen -- represents inequity in its most severe form.

The same can be said of the proposal to make the three-entity rule disappear in the blink of an eye.

- **Largely does away with safety net for a number of commercially viable, full time producers, especially those growing southern crops. It strips away their ability to play economic catch up, especially after a bad year.**

- **Payment limits discriminate against full-time, commercially sized farming operations.**

- **Payment limits penalize success.**

The type of financial hardship this will cause producers -- even those on the upper end of the gross income scale, will be harsh. And we must never forget – NET Farm Income is the line that matters most.

Thank you. I will take your questions along with the rest of the panel at the end of this session.

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